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INTERNATIONAL NEWS

EU economy set to avoid recession; headwinds remain strong

The European Union (EU) economy entered 2023 on a healthier footing than expected, and looks set to escape recession, European Commission's commissioner for economy Paolo Gentiloni recently said. It is forecast to expand by 0.8 per cent this year, 0.5 percentage points above the Autumn projection, and EU headline inflation is forecast to fall from 9.2 per cent in 2022 to 6.4 per cent in 2023 and 2.8 per cent in 2024, he said. Headwinds, however, remain strong.

This compares with the Autumn projections of 7 per cent in 2023 and 3 per cent in 2024.

EU gross domestic product (GDP) growth for 2022 is now estimated at 3.5 per cent, 0.3 percentage points higher than projected in Autumn, he said.

"Overall, the growth forecast for 2023 has been revised up to 0.8 per cent in the EU and 0.9 per cent in the euro area. For 2024, GDP growth is expected at 1.6 per cent in the EU and 1.5 per cent in the euro area, unchanged compared to the Autumn Forecast," Gentiloni told a press conference on the Winter 2023 Economic Forecast.

Following robust expansion in the first half of 2022, growth momentum abated in the third quarter, although slightly less than expected. Despite exceptional adverse shocks, the EU economy avoided the fourth-quarter contraction projected in the Autumn Forecast.

Continued diversification of supply sources and a sharp drop in consumption have left gas storage levels above the seasonal average of past years, and wholesale gas prices have fallen well below pre-war levels.

In addition, the EU labour market has continued to perform strongly, with the unemployment rate remaining at its all-time low of 6.1 per cent until the end of 2022. Confidence is improving and January surveys suggest that economic activity is also set to avoid a contraction in the first quarter of 2023.

Headwinds, however, remain strong. Consumers and businesses continue to face high energy costs and core inflation (headline inflation excluding energy and unprocessed food) was still rising in January, further eroding households' purchasing power.

As inflationary pressures persist, monetary tightening is set to continue, weighing on business activity and exerting a drag on investment, the EU said in a release.

While uncertainty surrounding the forecast remains high, risks to growth are broadly balanced, the EU noted. Domestic demand could turn out higher than projected if the recent declines in wholesale gas prices pass through to consumer prices more strongly and consumption proves more resilient.

Nonetheless, a potential reversal of that fall cannot be ruled out in the context of continued geopolitical tensions. External demand could also turn out to be more robust following China's re-opening – which could, however, fuel global inflation, the bloc added.

Source: fibre2fashion.com- Feb 15, 2023

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Italy's industrial production index increases 1.6% MoM in Dec 2022

Italy's seasonally adjusted industrial production index in December 2022 increased by 1.6 per cent compared with the previous month, according to the Italian National Institute of Statistics. The country's calendar adjusted industrial production index increased by 0.1 per cent in December 2022, compared to the corresponding period of the previous year.

In December 2022, the change of the average industrial production index of the last three months with respect to the previous three months was minus 0.9 per cent.

The unadjusted industrial production index decreased by 5.8 per cent compared with December 2021.

Source: fibre2fashion.com- Feb 13, 2023

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World economic performance in '22 exceeds prior expectations: McKinsey

World economic performance in 2022 almost certainly exceeded earlier, more pessimistic expectations despite the year's high inflation and energy uncertainty, according to McKinsey's Global Economics Intelligence (GEI) report. In most surveyed economies, growth exceeded pessimistic expectations, while inflation moderated but is still high.

In most analyses, a slowdown of short duration is predicted for 2023, resulting mainly from stagnation in the developed economies, with a rebound in 2024.

The economies of the US and the eurozone demonstrated resilience in the second half of the year. The US economy expanded at an estimated 2.9 per cent in the fourth quarter and 2.1 per cent in 2022 overall.

The eurozone economy avoided a predicted contraction in the fourth quarter, expanding by 0.1 per cent beyond the previous quarter and 3.5 per cent for the year, as per McKinsey's report.

From the world's largest emerging economies, comparatively robust growth is expected for 2023. In India, where GDP expanded 8.7 per cent in fiscal 2021-22 (March to April), the official GDP growth estimate for fiscal year 2022-23 is 7 per cent.

In China, the pace of economic expansion slowed from 8.4 per cent in 2021 to 3 per cent in 2022. The main cause was disruption connected to the 'zero-COVID' policy, but weaker global demand and rising geopolitical uncertainty magnified the headwinds.

China has since lifted key pandemic restrictions. At the World Economic Forum's annual meeting in January, Liu He, China's vice-premier and top economic adviser, welcomed foreign investors, emphasising that China's economy was set to improve significantly in 2023.

The IMF recently upgraded its growth estimate for China in 2023 to 5.2 per cent, and early economic data are directionally supportive.

Recent global economic data have been mixed, reflecting both improved conditions and persisting downside risks, largely centring on inflation and geopolitical uncertainty. Inflation has begun to slow in both developed and emerging economies. Energy prices have come down, but core inflation readings remain high, and central banks are sustaining a course of policy tightening. The US Federal Reserve implemented a small rate rise on February 1 (one-quarter point), bringing the policy interest rate to 4.5-4.75 per cent.

The Fed also signalled that further increases can be expected in 2023. On February 2, the Bank of England lifted its key interest rate three-quarters of a point, to a range of 3.5-4 per cent, the highest it has been in 14 years. The European Central Bank, meanwhile, raised its key refinancing rate by a half point, to 3 per cent.

Consumer confidence improved globally and in most surveyed economies, though the prevailing surveyed mood falls well short of optimism. High prices and consumer caution continue to constrain retail sales in surveyed economies.

Amid weaker demand and high input costs, the global purchasing managers' indexes (PMIs) for manufacturing finished the year in shallow contraction (48.6). PMI readings for individual economies were likewise contractionary in December, with the notable exception of India, where the reading for manufacturing was robust (57.8).

Source: fibre2fashion.com- Feb 13, 2023

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Business activity in Australia rebounds in Jan: NAB

The National Australia Bank (NAB) foresees the Reserve Bank of Australia (RBA) lifting rates to a peak of 4.1 per cent in May, including 25 basis points increases at each of the next three meetings. Business conditions picked back up in January after three months of easing in late 2022, returning to a high level at 18 index points, the NAB monthly business survey for January showed.

The rise was led by very strong trading conditions in the month; but both profitability and employment are also well above average, NAB said in a release.

"....We continue to expect strong prints for wages and inflation to continue in the near term," NAB noted.

"A cash rate peak above 4 per cent will have a significant impact on economic growth, and we expect GDP to be below 1 per cent over both 2023 and 2024 despite the more optimistic near-term outlook. We also expect the RBA will need to cut interest rates in 2024 to closer to neutral to support growth as inflation moderates," NAB said.

Manufacturing was one of the sectors that led the improvement in business conditions, though conditions also remain strong in the retail sector.

"Overall, the survey suggests the economy has remained resilient to headwinds from inflation and higher interest rates. Demand has remained elevated, likely supported by strong population growth, and concerns about global growth prospects appear to have eased," NAB added.

Source: fibre2fashion.com- Feb 15, 2023

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Western brands circumvent and continue Russia operations

Many western brands are continuing to do business in Russia. But the widespread outrage over the war in Ukraine means these companies have to resort to sly methods. For instance, they are reopening businesses under new names. Many foreign brands are importing goods for the Russian market through other countries like the UAE and Singapore.

Russian chain stores that shut down due to the war are reopening under different brand names. There has been limited retreat of EU and G7 firms from Russia. So the impression that there has been a vast exodus of western firms is a mistake. Less than 10 per cent of EU and G7 companies with Russian subsidiaries have divested. When Russia invaded, there were 1,404 EU and G7-based companies and a total of 2,405 subsidiaries active in Russia. But only about 120 of these companies have divested at least one subsidiary in Russia.

There were more confirmed exits by US-based companies than those based in Europe and Japan. But even among the US companies fewer than 18 per cent subsidiaries operating in Russia have been completely divested since the invasion began. By contrast, 15 per cent of Japanese firms and only 8.3 per cent of EU firms have divested from Russia. Of those who have left their Russian subsidiaries in place, 19.5 per cent are German and 12.4 per cent are US-owned.

Exiting western firms account for only 6.5 per cent of the total profit before tax of EU and G7 firms with active commercial operations in Russia.They, meanwhile, accounted for 15.3 per cent of the total number of employees working for such firms in Russia.This indicates that, on an average, the exiting firms tended to have lower profitability and larger workforce than the firms that remain in Russia. These findings call into question the willingness of western firms to decouple from economies their governments now deem to be geopolitical rivals. Opportunities for Bangladesh

However western brands reopening businesses under new names in Russian markets have spelled optimism and opportunities for Bangladesh apparel exporters. H&M and Inditex have launched business offices in Dubai under new names to circumvent the political pressure and these new companies are doing business with Bangladesh.

They source fabrics from and import goods made in Bangladesh through third countries like Turkey. Bangladesh's apparel exports to Turkey and the United Arab Emirates increased 83 per cent and 22 per cent respectively between July to December in fiscal year 2023 over the same period last year. But despite buyer's interest of doing business through an alternative route, it is risky as Bangladesh's exporters receive delayed payments.

Source: fashionatingworld.com- Feb 14, 2023

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Vietnam's textile & garment exports down 37.6% to $2.25 bn in Jan 2023

Vietnam earned $2.250 billion from textile and garment exports in January 2023, a decline of 37.6 per cent over the previous year, as per preliminary data from customs IT and statistics department, general department of customs, Vietnam's ministry of finance. In 2022, Vietnam's total textile and garment exports were valued at $37.5 billion.

The US accounted for a major share (about 44.04 per cent) totalling $0.991 billion in the textile and garment exports of Vietnam during the first month of this year. Japan and South Korea were the other major destinations with exports of $0.248 billion and $0.244 billion, respectively, according to the latest figures.

Vietnam's yarn exports also decreased in January by 52.4 per cent to $0.225 billion compared to the same period of last year. Of this, China imported around 38.22 per cent or $0.086 billion worth of yarn, followed by India that imported yarn worth $5.004 million. In volume terms, Vietnam exported 88,130 tons of yarn which was 38.9 per cent lower than the exports during the corresponding period of last year.

In 2022, Vietnam's textile & garment exports had grown by 14.7 per cent year-on-year to $37.5 bn, against the target of $43 billion. In 2021, Vietnam's textile and garment exports earned $32.750 billion, registering a growth of 9.9 per cent over the exports of $29.809 billion in the previous year, while yarn exports increased by 50.1 per cent to $5.609 billion from $3.736 billion in 2020.

For 2023, Vietnam expects its export earnings to be $48 billion from textiles, garments, and yarn shipments in case of a positive market scenario, according to the Vietnam Textile and Apparel Association (VITAS).

Source: fibre2fashion.com- Feb 15, 2023

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Pakistan: Encouraging cotton growing helps excel textile industry'

With the country faces severe economic crunch, the government is mulling multiple options for economic revival including boosting exports to strengthen depleting foreign exchange reserves and generate employment opportunities to overcome growing poverty.

As textile industry had been the key player in exports over the decades, paying special heed to this sector by providing congenial environment could pave the way to capture more international markets and earn revenue.

Enhanced cotton growing is of vital importance for this sector as it encompasses a bigger chain of operations from farming to textiles mills and then to end users' products showcased at fashion apparel outlets.

This chain of operations not only benefits industrialists but also a major chunk of our populace linked to agricultural sector. But unfortunately, cotton growing diminished with the passage of time after installation of Sugar Mills in cotton growing areas, especially in South Punjab and Sindh provinces.

Pakistan Cotton Ginners Association (PCGA), in its recent fortnightly report on cotton arrivals has put the production figure at 4.7 million bales till Feb 1, 2023 that is almost 35 per cent below than last year.

“If we reach five million bales this year by end of next month, it would be around 50 per cent below than the official production assessment of 11 million bales for 2023”, informed PCGA Chairman Chaudhry Waheed Arshad.

“If we have to survive with our textile industry, we must frame result oriented policies focusing both the farmers and the industrialists,” he stated.

Chaudhry Waheed Arshad recommended measures like announcing support price, declaring specific cotton zones, introducing high yielding, climate smart and pests resistant cotton varieties and mechanized farming techniques to get desired results.

“Agriculture is our mainstay and cotton is our lifeline. Therefore, strengthening this sector and announcing special incentives for cotton growers would definitely improve economic growth and the country’s exports,” he stated.

Chaudhry Waheed said that less cotton growing was harming ginning industry because if produce is less then mill owners can import cotton for their needs but what about ginners. “There are 1300 ginning factories countrywide with only 400-500 units remaining operational normally. But, at present only 154 factories are working.”

He claimed that the country has lost 2.4 million acre cotton area to other crops during last 15 years and “if this trend continues, it would be a severe blow to the cotton-based industries. Therefore, we need to employ full potential of this sector.”

He was confident sooner or later agriculture sector would attain the status of an industry and farmers must be well prepared to harvest its benefits.

According to the Trade Development Authority of Pakistan (TDAP), Pakistan is the 8th largest exporter of textile products in Asia with 4th largest producer and third largest consumer of cotton. Textile is 46 percent of Pakistan’s total manufacturing sector that provides employment to 40 percent of total labor force.

Khawaja Usman, a noted industrialist owning spinning units has said that usually, textile sector needs 16 million cotton bales annually to add value and export a variety of products to international market.

“However, the temporary closure of some textile units due to the global recession troubled the economy.

Therefore, local textile sector requirements would revolve around 12-13 million bales this year,” he predicted.

He said if production finally turns out to be five million bales in 2023, textile sector would need to import seven million bales to meet its requirements. “Therefore, the textile sector had already finalized contracts for import of required cotton bales.”

Khawaja Usman stressed to incentivize the farmers to grow cotton on more area, and the industry to enable it to compete in international market as he regretted that falling of cotton production by 16 percent to merely 8.6 million bales in 2020 from 10.2 million bales in 2019, is not encouraging.

The TDAP officials quoting Pakistan Bureau of Statistics data have also revealed that Pakistan earned over US$15 billion (15400 million dollars) in financial year 2021 up from over US$ 12.5 billion (12526 million dollars) in 2020 from cotton and textile products. According to their statistics although exports of various textile products registered increase, yet export of raw cotton nosedived by 95 percent in FY 2021with the main factor being lower production than expectations.

Vice President, Multan Chamber of Commerce and Industry, Asim Saeed Sheikh has also claimed that local cotton production was usually falling short to meet the needs of the textile sector, except for 2011 when Pakistan touched the highest mark of 14.7 million bales.

“Many of cotton growing farmers shifted to sugarcane crop over the years resulting in diminishing produce. Above this, we also witnessed torrential rains and flooding this year that swept away large cotton areas,” he said. “This would obviously prove to be a major challenge for cotton growers and allied industries.”

According to a climate change research, poor seed quality, heat waves, virus, pests and increasing trend of farmers to switching to other profitable crops for some quick profits reduced cotton production.

Therefore, it is high time to fully concentrate this segment of the economy to steer the country out of the economic crunch, boost exports and earn foreign exchange to bridge trade and current account deficits .

Source: dunyanews.tv- Feb 14, 2023

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PM Hasina for exploring new markets for Bangladeshi garments

Prime Minister Sheikh Hasina on Wednesday asked concerned authorities to explore new markets for Bangladeshi garments with the invention of newer items keeping pace with its ever-changing trend.

"They, who are working with garments and their exports, will have to find new markets. Newer products will have to be produced keeping in mind that the choices vary with different countries," she said.

The premier was addressing as the chief guest a function marking the National Textiles Day-2022 and the inauguration of six textile educational institutes in six districts, joining from her official Ganabhaban residence in Dhaka through a video conference.

The Ministry of Textiles and Jute organised the function at Bangabandhu International Conference Centre (BICC) in Dhaka.

The prime minister said Bangladesh has to coordinate fresh ideas with its old and historical tradition in textiles, for which, a university on fashion and design was established in the private sector to prepare skilled manpower.

"Fashion and design are very important and they are changing constantly. We have to keep pace with the ever-changing trend of the garments industry and realise which design is high in demand," she said.

The newly inaugurated six textile institutes are -- Sheikh Rehana Textile Engineering College in Gopalganj, Sheikh Russel Textile Institute, Jamalpur, Shahid Abdur Rob Serniabat Textile Institute, Gouronodi, Barishal, Shahid Kamaruzzaman Textile Institute, Naogaon, Begum Amina Mansur Textile Engineering Institute, Sirajganj and Bhola Textile Institute.

Textiles and Jute Minister Golam Dastagir Gazi (Birpratik), its Secretary Md Abdur Rauf and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Acting President Shahidullah Azim also spoke at the function.

On behalf of the prime minister, the textiles and jute minister handed over honorary awards to 10 persons and institutions including BGMEA, BKMEA, BTMEA, and Bangladesh University of Textiles.

A video documentary on the measures taken by the government for advancement of textiles in Bangladesh was screened.

Source: tbsnews.net- Feb 14, 2023

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NATIONAL NEWS

India-Australia comprehensive trade deal negotiations from February 20

After the implementation of an interim trade deal in December, India and Australia will begin negotiations towards a comprehensive economic cooperation agreement (CECA) from February 20, a person aware of the matter said.

Both nations had signed the interim trade deal, also known as Economic Cooperation and Trade Agreement (ECTA), in April that kicked in only from December 29. When the ECTA was signed, it was decided that the larger idea would be to use the foundation of the interim deal to resume negotiations on the more ambitious trade deal or CECA.

The CECA will include discussions on deeper market access and outcomes in new areas, including digital trade, government procurement, and cooperation.

A team of officials from Australia will visit the national capital for a week-long meeting, the person cited above told Business Standard.

Economists said a comprehensive trade deal with Australia was a step in the right direction.

"Such an agreement always benefits exporters and businesses. Australia has signed several trade deals over the past few years with countries such as the United Kingdom.

It is currently negotiating trade agreements with the European Union. That's why it is important for India to evaluate what Australia has offered other countries and a comprehensive pact to give Indian exporters a level playing field," Arpita Mukherjee, professor, Indian Council for Research on International Economic Relations said.

While India has been cautious about opening up the government procurement market to other countries, Mukherjee said India's trade agreement with the UAE on the government procurement chapter can be a template during negotiations with Australia.

Under a free trade agreement last year, India for the first time agreed to treat UAE companies on a par with domestic firms while bidding for tenders put out by certain central government departments and ministries for buying goods and services.

Experts, however, believe India has been very cautious, with several carve-outs while finalising the government procurement chapter with respect to the trade deal with the UAE.

The deal with Australia is crucial since it is among the first developed nations to finalise a trade pact with India.

Between April and November, Australia was India's 10th largest trading partner, with bilateral merchandise trade standing at $18.04 billion. India exported goods worth $5.15 billion, while imported goods worth $13.75 billion during the same time period.

Under ECTA, Australia has agreed to eliminate Customs duty immediately on 98.3 per cent of the traded goods and on 100 per cent tariff lines over a period of five years. India, on the other hand, will do away with Customs duties on 40 per cent of products immediately and on 70.3 per cent of tariff lines over a period of 10 years.

Source: business-standard.com - Feb 14, 2023

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Great stride made in India-US trade relationship says US Commerce Secretary

Washington: Under the Biden administration, India and the US has made great strides in their trade relationships, top US officials have said after President Joe Biden announced that Air India has agreed to a historic purchase of airplanes from Boeing. On Tuesday, the White House announced that Boeing and Air India have reached an agreement under which the airline will purchase 190 B737 MAX, 20 B787, and 10 B777X for a total of 220 firm orders valued at USD 34 billion at the list price.

There will be an option to buy 70 more aircraft that could take the total transaction value to USD 45.9 billion, a deal that US President Biden described as a "historic agreement".

"I'm thrilled to celebrate this new development in the thriving trade relationship between the United States and India. Today's announcement is a deal of historic significance between the Boeing Company and the Tata Group," US Commerce Secretary Gina Raimondo said.

Observing that the Air India orders will be Boeing's third biggest sale of all time in dollar value and second in quantity, Raimondo said this is a win for workers, manufacturers, and suppliers across the United States, and it reaffirms the deep and lasting relationship between the two nations.

Raimondo is scheduled to travel to India in March to co-chair the US-India CEO Forum and US-India Commercial Dialogue meetings with her Indian counterpart Commerce and Industry Minister Piyush Goyal.

"We're also delighted to be working with India as part of the Indo-Pacific Economic Framework (IPEF) for Prosperity, a historic opportunity to strengthen our economic ties and fuel economic prosperity across the Indo-Pacific region," she said adding that she is optimistic about the opportunities for the US-India economic relationship in the years to come.

The IPEF was launched jointly by the US and other partner countries of the Indo-Pacific region on May 23, 2022, in Tokyo.

Boeing-Air India deal reaffirms that optimism, the commerce secretary said. "Over the last two years, we have made great strides toward expanding the bilateral trade relationship between the US and India, including through the US-India Trade Policy Forum, to expand market access for American businesses, producers and our workers," said Deputy United States Trade Representative Sarah Bianchi.

Biden's announcement of the historic purchase of over 200 American-made aircraft through an agreement between Air India and Boeing is the latest development in strengthening the relationship between the United States and India, she said.

"Today's announcement builds on India's recent announcement to reduce tariffs on pecans, certain animal feed imports, and eliminate its duty on ethanol used for industrial purposes," Bianchi said.

"Last year, the US announced that India agreed to allow imports of US pork and pork products into India, removing a longstanding barrier to US agricultural trade. USTR will continue working diligently to deepen the US-India Trade Partnership," she said in a statement.

Earlier in the day, Air India announced that it has selected Boeing's family of fuel-efficient airplanes to expand its future fleet with plans to invest in 190 737 MAX, 20 787 Dreamliner and 10 777X airplanes.

The agreement between Boeing and Air India includes options for 50 additional 737 MAXs and 20 787-9s. When finalized, this will be the largest Boeing order in South Asia and a historic milestone in the aerospace company's nearly 90-year partnership with the carrier, Boeing said, adding that the order will post to Boeing's Orders and Deliveries website when final.

"This acquisition of nearly 300, highly advanced Boeing jets is a core element of Vihaan.AI, the comprehensive transformation and growth strategy we are pursuing at Air India," said Campbell Wilson, CEO and MD, of Air India.

"These new airplanes will enable us to dramatically expand our network, both domestically and internationally, and will come with a completely new, world-class onboard product enabling passengers to travel in the highest levels of comfort and safety. With this order, we are delighted to take our long relationship with Boeing to a new level," he added.

"Air India's selection of Boeing's family of passenger jets shows their confidence in our products and services in the world's fastest-growing aviation market, and their decision will support engineering and manufacturing jobs at Boeing factories in Washington state, South Carolina and across our supply base," said Stan Deal, president and CEO of Boeing Commercial Airplanes.

"With the industry-leading fuel efficiency of the 737 MAX, 787 Dreamliner and 777X, Air India is well positioned to achieve its expansion plans and become a world-class global airline with an Indian heart," Deal said

Source: economictimes.com - Feb 15, 2023

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CAI pegs crop production further lower

The Cotton Association of India (CAI), a trade body, has lowered its estimates of cotton crop production further to 321.50 lakh bales (170 kgs) for the current season (October 2022-September 2023) from 330.50 lakh bales projected last month.

The lower estimate comes along with the Ministry of Agriculture lowering its cotton crop estimated to 337.23 lakh bales on Tuesday.

On Friday, Union Minister of State for Textiles Darshana Jardosh told the Rajya Sabha that cotton production this year has been estimated at 341.91 lakh bales (170 kg each) this season against 312.03 lakh bales last season.

Higher than last season

In a statement, CAI president Atul S Ganatra said the estimates include loose cotton to the tune of 7.27 lakh bales and will be higher than 307.05 produced last season.

CAI said until January 31 during the current season, cotton arrivals are pegged at 115.70 lakh bales, down 76.5 lakh bales compared with the year-ago period.

Cotton imports till January 31 are estimated at 5.8 lakh bales and CAI projects total imports this season at 12 lakh bales (14 lakh bales last season).

The association has projected consumption by textile mills lower at 280 lakh bales (293 lakh bales) and exports at 30 lakh bales (43 lakh bales). Cotton offtake by small-scale industries has been cut to 15 lakh bales (19 lakh bales).

Closing stocks are estimated at 35.39 lakh bales (31.89 lakh bales). According to CAI estimates, production will be lower in Punjab, Haryana, Madhya Pradesh, Andhra Pradesh and Tamil Nadu.

Source: thehindubusinessline.com - Feb 14, 2023

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India should adopt flexible, interest-based negotiations, not oppose trade-plus links with policy

The Indian economy is at a critical juncture. International observers are generally optimistic about India's short-term growth prospects. But we have to keep in mind that growth in the pre-pandemic years was below both targets as well as aspirations. The pandemic has now ebbed, but many uncertainties remain about how the world economy will move on. And, in this uncertain environment, it will be difficult to achieve the 7%-plus growth we need to create jobs for our younger population.

Achieving high growth will call for action on many fronts, one being to define the trade policy we need for the years ahead. This was discussed in a series of meetings organised by CUTS International with groups of economists and experts, and there was consensus that no country has achieved high growth without robust growth in exports. This relationship is likely to remain valid in the future.

So, if India wants to achieve a growth rate of 7%-plus in the years ahead, it should also aim for a strong export performance. World trade is likely to grow more slowly in the future than it did in the past. But, even so, India should aim at expanding its exports at rates faster than the world's. Our share in world exports is low enough that such expansion is not impossible, but difficult.

Growth Begets Exports

Importantly, export performance is not just the result of trade policy. Almost all determinants of overall growth will also have an impact on export performance: high levels of investment and absorption of technology, quality of economic infrastructure, the logistical costs of movement of goods, ease of doing business and the exchange rate. A poor performance in these areas will not achieve high exports whatever the trade policy adopted.

But we also need a sensible trade policy. There is a danger here that the current revival of protectionism in the world may tempt experts to do the same in India. This would be a mistake.

Import tariffs: High import tariffs on inputs and components raise the cost of production domestically and make exports uncompetitive. They also impose a burden on Indian consumers. The budget has not done what many speculated it would - raise tariffs on many items. That is commendable. The fact is that India's average tariff rates are much higher than those in other comparable countries. This suggests that India should reduce its average applied tariffs to levels similar to those of other developing countries in Southeast Asia. This can be done through targeted tariff liberalisation implemented over a period of 3-4 years.

A frequent grouse of India Inc is the phenomenon of inverted duty structures. Such inversions should be avoided. CII has recommended that raw materials should carry a duty of 0-2.5%, intermediates a duty of 2.5-5% and end products 5-10%. If a structure along these lines could be put in place over a period of three years, it would solve the problem. Otherwise, there is the constant danger of pressures to raise duties to deal with some inversion problems. A clear statement of policy on these lines would give a signal for the future.

Of course, higher import tariffs may be justified as emergency responses to unforeseeable developments. But these must be for a limited time and on a transparent basis. For example, there can be a justifiable case for hiked import duties if a crash in prices somewhere or distressed sales leads to a surge in imports. In such cases, we should consider the judicious use of safeguards permitted by WTO to protect domestic industries.

Non-tariff barriers: These, in the form of technical regulations, standards, and sanitary and phytosanitary measures are often used to keep imports out. India should review and streamline its non-tariff barriers, making sure to increase transparency and use international standards. Also, India should improve the transparency and predictability of its non-tariff measures (NTMs).

Flanking policies: Beyond conventionally understood facets of trade policy, India must also focus on flanking policies such as those concerning industry, taxation, investment, consumers and competition for maximising the benefits of trade. For instance, the objective of an industrial policy, as traditionally understood by some, may conflict with that of a liberalised trade policy.

Simultaneously, it is crucial to acknowledge that trade, competition and industrial policies can complement each other. This can, and should, be done through the establishment of a trade policy coordination mechanism that brings together relevant government agencies and stakeholders. A full discussion of all effects is critical to ensure a sensible outcome.

Value chains: India must work in mission mode to capture the opportunity of integrating with regional and global value chains (GVCs). To do this, and reduce the turnaround time of local firms for product processing and 'importing to export', the whole chain from the importation of inputs, factory floor and final shipment of a product where it enters GVCs must be considered in its entirety, and policy hurdles be identified and addressed at each stage.

Policy incentives including production-linked incentives (PLIs) must be structured in a manner that should not only attract, but also retain, international investments in manufacturing. India should consider the establishment of a national export strategy that outlines specific and granular measures to increase participation in GVCs and export of services, and exploration of non-traditional markets. This could include development of targeted sectoral strategies, improvement of infrastructure and logistics, and expansion of technical assistance programmes.

Multilateral trade negotiations vs free trade agreements: India has traditionally argued that liberalisation should be through multilateral trade negotiations (MTNs). However, for a variety of reasons, developed countries have more or less given up on MTNs and seem to wish to pursue trade liberalisation through plurilateral and bilateral means.

While this may partly be because of their desire to include non-trade liberalisation objectives to trade negotiations - for instance, social clauses linking market access to improved labour standards - it is also true that India, despite its formal commitment to multilateral trade liberalisation, has often been seen as an obstacle to successful MTNs.

In this background, it makes sense to operate pragmatically on two fronts: look for gains in MTNs where possible, but also look for market access via free trade agreements (FTAs). It is important to do this in a manner consistent with India's development needs and domestic policy objectives. To this end, India should not only review its existing FTAs but also pursue new FTAs with key trading partners. Progress on FTAs with Britain and the EU will be keenly watched. India should also ensure that its FTAs are transparent and inclusive, and consider the impact they may have on domestic industries and consumers taking a dynamic view and avoid being trapped in protectionist instincts.

FTAs and overarching regional economic frameworks act as magnets for attracting investments and facilitate the relocation of entire supply chains within their territories. To reap the benefits of investors desiring a freer flow of entire supply chain components, India should reconsider its decision to stay out of the Regional Comprehensive Economic Partnership (RCEP). It should also reconsider its decision to stay out of the trade pillar of the Indo-Pacific Economic Framework for Prosperity (IPEF).

If joining RCEP presents difficulties because it implies extending free trade access to China, we should consider joining the Comprehensive Pacific Trade Partnership agreement anchored by Japan. Staying out of these agreements will impose costs and only isolate us from growing markets, making it much more difficult to link with GVCs. This will involve deeper behind-the-border alignment on non-trade matters. But we should be willing to rethink our hesitation on these issues. If other countries can do it, why can't we?

Trade-plus issues: In line with trends being witnessed in FTAs to formulate disciplines on new 'trade plus' issues, such as those related to digital trade and environment, India must design a policy that clarifies India's stance on trade-related, non-trade and non-economic issues at multilateral and regional fora.

We must release position papers on trade-related aspects of gender, environment, labour, MSMEs, digital trade and electronic commerce, government procurement, etc, along with evidence-based details of concerns (for example, potential impacts on India's MSME sector by opening up government procurement) and capabilities to encourage frank conversations and for soliciting constructive feedback. This will ensure our effective presence at the negotiating table and be a rule-shaper.

Flexible Wins the Race

As of now, India has opted out of various related plurilateral negotiations and/or discussions at WTO, and shied away from even superficial commitments on these issues in its FTAs. We recommend the adoption of flexible, interest-based negotiations, instead of principled and blanket opposition to linking these new issues with trade policy.

By implementing these policy recommendations, India can more effectively integrate into GVCs, increase its share of global trade and drive policy reforms, economic growth and job creation. It is important for India to take a whole-of-society approach to these reforms, ensuring they are implemented in a transparent and inclusive manner, and take into account the distributional impacts of trade policy.

We recognise that many of our recommendations are controversial. However, it is only by moving comprehensively forward on all, or at least most of, these fronts that India can effectively integrate into GVCs and increase its share of global trade. If this needs more discussion and building of public opinion, that should start now. We have missed too many buses in the past. We cannot do it again.

Source: economictimes.com - Feb 14, 2023

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Shri Piyush Goyal holds first meeting of the newly constituted Textile Advisory Group for Manmade Fibre (MMF) at Vanijya Bhavan, New Delhi

Union Minister of Textiles, Commerce & Industry, Consumer Affairs and Food & Public Distribution, Shri Piyush Goyal held the first meeting with the newly constituted Textile Advisory Group at the Vanijya Bhavan, New Delhi. Smt. Rachna Shah, Secretary (Textiles) initiated deliberations with the Textile Advisory Group which constituted industry associations and councils including AEPC, SRTEPC, ASFI, AMFII, CPMA and SIMA to represent whole of the MMF value chain along with Senior Officials from the Ministries of Textiles, Commerce and Petroleum & Natural Gas.

Association of Man-Made fibre industry of India (AMFIl) and Association of Synthetic Fibre Industry (ASFI) presented the overview of the sector and major challenges such as the high degree of fragmentation in the downstream textile value chain from weaving to garmenting and need of protective measures to contain rising imports MMF raw materials (PTA, MEG) and MMF yarn and fabric (PFY, PSF, NFY).

The high levels of unutilized production capacities of man-made fibre due to import was discussed. The stakeholders suggested various possible solutions to strengthen and revamp the MMF value chain during the meeting.

The matters of import surge of cheap imports of PTA and MEG into India was also discussed. Shri Piyush Goyal said Government will expedite enforcement of all the Quality Control Order (QCO) on the MMF products. Shri Goyal suggested that different segments of the value chain need to be supportive to each other’s requirements and challenges for the holistic growth of the sector.

Shri Goyal cited the Production Linked Incentive (PLI) scheme for man-made fibre (MMF) apparel, MMF fabrics and products of technical textiles, as the Government’s flagship intervention to augment the size and scale of the domestic MMF sector and assured of providing dedicated handholding support to the PLI beneficiaries through specially designated Ministry of Textiles officers for the purpose.

SIMA on behalf of spinners raised the issue of revision of standard input output norms under Advance Authorization Scheme. SRTEPC on behalf of fabric and made-ups , raised the issue of shortage of capacities for quality processing and effluent treatment facilities. AEPC also raised the issue of shortage of availability of high quality processed fabric.

The industry stakeholders acknowledged the need of collaborative efforts to address the issues of the MMF industry and pledged to support and handholding each other to fast-track the growth of the Indian MMF sector.

Source: pib.gov.in- Feb 14, 2023

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Why hike in budgetary allocations for key trade schemes may not make a difference to exporters

Several stakeholders in the trade industry hailed Finance Minister Nirmala Sitharaman for the budget initiatives to provide competitiveness to manufacturing and exports via focus on infrastructure improvement and simplification of tax structures, besides attempting imports substitution.

In exports, the budget proposed to increase allocation for a key scheme, the Remission of Duties and Taxes on Export Products (RoDTEP), by 10%, from Rs 13,699 crore in FY23 to Rs 15,069 crore, in the next financial year. The outgo for the Rebate of State and Central Taxes and Levies (RoSCTL), a key scheme for exports of apparel or garments and made-ups, was raised from Rs 7,461 crore in FY23 to Rs 8,405 crore in FY24. The two export schemes refund to exporters the embedded non-creditable central, state and local levies paid on inputs.

"Various measures taken in the budget aim to support domestic manufacturing, which will positively impact exports," said Mahesh Jaising, partner, Deloitte India. "The Budget 2023 has increased the allocation for some key export-boosting schemes such as RODTEP & ROSCTL by approximately 10%, which in turn will promote exports amid weak global sentiments."

There was also a 23% increase in the allocation for the Interest Equalisation Scheme, from Rs 2,376 crore in 2022-23 to Rs 2,932 crore in 2023-24. The scheme provides subsidies for pre- and post-shipment rupee export credit.

The increased budgetary allocations for key exports schemes would support exports, particularly by MSMEs, according to a post-budget release issued by the trade promotion organisation, the Federation of Indian Export Organisations (FIEO). The budget also increased allocation for the market access initiative (MAI) scheme from Rs 160 crore in FY23 to Rs 200 crore in FY24.

However, FIEO also claimed that the increase might not be sufficient for better showcasing of Indian products overseas. "This may not be adequate as the global trade shows are increasingly giving opportunities for showcasing, which needs to be exploited. A planned scheme for aggressive overseas marketing may be notified with a sizeable corpus to encourage exporters to showcase globally," said FIEO President A Sakthivel.

A section of experts were also of the view that a mere increase in budgetary allocation for some schemes should not be considered as an incentive to boost exports.

"It is important to note that increased budgetary allocation for RoDTEP is primarily due to the addition of few more tariff lines. The expanded list of eligible export items under Appendix 4R will increase from 8,731 export items (8-digit tariff lines) to 10,342 export items (8-digit tariff lines). This essentially means that increased budgetary outlays is not going to make a difference. Most importantly, RoDTEP is not an export promotion scheme. It is a refund of duties and taxes which were paid by exporters during the manufacturing of goods at some point of time. Therefore, it need not be considered as an incentive," said Surendar Singh, Associate Professor, FORE School of Management.

Singh was also critical of the government for drastically bringing down the allocation for the Transport and Marketing Assistance (TMA) scheme.

Launched in 2019, the TMA scheme was introduced to provide support for the international component of freight and marketing of agricultural commodities. In budget 2023, the allocation for TMA was just Rs 1 lakh, against Rs 545 crore last year.

"Incentives given under Transport and Marketing Assistance have been drastically reduced without recognising the fact that it is critical for offsetting the disadvantage of high logistics costs. The scheme is useful for landlocked states like Punjab, Haryana and Uttar Pradesh," said Singh.

"Likewise, the budgetary allocation for the PLI scheme has been reduced in the budget, which is opposed to the government's policy stance of promoting manufacturing under self-reliant India.

The major decrease was for the PLI Scheme for large-scale electronics production. In contrast to the projected allocation of Rs 5,300 crore for 2022-23, the revised estimate is just Rs 2,300 crore, while the sector has been given Rs 4,600 crore for the next fiscal year."

The government launched a production-linked incentive (PLI) scheme in 2020. The scheme offers cash incentive for three to five years on the incremental sale of goods manufactured in the country. However, the selected beneficiaries must commit to a certain minimum investment in India.

Sectors to watch out for

The government ensured there was something for all sectors in the budget, especially technologically intensive areas. For instance, the budget proposed reduction of customs duty on aqua feed in the agriculture and allied sector, and research and development grant and scrapping of customs duty on seeds used in the manufacturing of rough lab-grown diamonds.

On the sectors expected to gain from the budget, Jaising of Deloitte said, "The benefit is spread across all sectors but some sectors such as steel and base metals, chemical, gems & jewellery would benefit the most."

There were also moves to reduce logistics costs via infrastructure investments, besides scrapping of import duties on some items. "The government's decision to reduce import duties in some sectors is a good step and will certainly augment manufacturing. Reduction in import duties will ease out Indian domestic firms to source competitive imports from international markets for export manufacturing. Import duty reduction for the import of lithium-ion cells for batteries is an important development as it will help the country to boost its battery manufacturing. However, it is important to note that import tariff reduction can only be useful when we do not have domestic capacity to supply those inputs," said Singh.

Source: economictimes.indiatimes.com- Feb 15, 2023

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More Indian growers hold back cotton, trigger speculation over actual production

More cotton farmers holding on to their produce has triggered speculation over the actual production of cotton this season (October 2022-September 2023). Some traders and trading houses say production this season may be higher than the estimates made by the Centre and various other stakeholders.

An industry experts team visited Maharashtra during the weekend and found that farmers are holding on to their produce, expecting better prices. This is being corroborated by trading houses, too.

The development follows a businesslinereport that cotton growers in Telangana and Karnataka are storing their produce on their terraces.
More than Gujarat

"Yes, farmers are holding the stocks not only in Maharashtra but in other major cotton-producing States in anticipation of higher prices," said Sanjay Gupta, MD and CEO of NCML.

"Maharashtra farmers were least expected to hold on to their produce. If they too are not releasing their stocks, then there are chances of production being higher," said a trader, without wishing to identify.

"This season, farmers in Maharashtra have held back more cotton than growers in Gujarat," said Rajkot-based Anand Popat, a trader in cotton, yarn and cotton waste.

Making things difficult

But small and marginal farmers have released their produce in the market to recover their expenses whereas, financially stable farmers are holding the majority of their stock, said Gupta.

"Everywhere, farmers are holding on to cotton. It is making the trade difficult to estimate what the crop could be," said Ramanuj Das Boob, a sourcing agent for multinationals in Raichur, Karnataka.

On Tuesday, the Ministry of Agriculture lowered its cotton crop estimated to 337.23 lakh bales (of 170 kg each) from 341.91 lakh bales projected earlier. The US Department of Agriculture, in its latest outlook on cotton, has pegged Indian production at 326.58 lakh bales.

Weather impact?

While Popat stuck to his initial estimate of 360 lakh bales, Gupta said NCML expects production to be in the range of 310-315 lakh bales, which is considered on the lower side. "Erratic weather conditions along with pest infestations have caused serious damage to the crop," the NCML MD and CEO said.

On Tuesday, the Cotton Association of India (CAI), a trade body, lowered the cotton crop estimated to 321.50 lakh bales. Trading houses, too, are of the view that production may be around levels of 350 lakh bales.

"Some people tend to go by the arrivals in markets and the bales pressed by ginning mills. You need to take into account the volume farmers are holding," said Popat.

The Rajkot-based trader said this season, however, only 340 lakh bales of cotton might be pressed and growers could be carrying over 20-30 lakh bales with them to the next season.

Longer season

"Even if the crop is 330 or 340 lakh bales, some 160-175 lakh bales have to arrive by June. This means daily arrivals of 1.4 lakh bales," said Das Boob.

According to Popat, daily arrivals of cotton currently are between 1.25 and 1.5 lakh bales. "Barring a handful, most ginning mills may have to shut during monsoon. With arrivals being slow, not all the harvest cropped will be ginned this season," he said.

CAI has estimated cumulative arrivals till January 31 at 115.70 lakh bales.

"We are expecting a much longer season due to gradual arrivals and not expecting any big volatility in prices. Farmers have also started sensing the stability factor both in international and Indian markets and are gradually stepping up the deliveries," said Prabhu Dhamodaran, Convenor, Indian Texpreneurs Federation.

Popat said farmers have "fixed their thoughts at a particular price range" and they would not part with their produce below that.

Signs of flatish trend

Dhamodharan said due to the continuation of weak signals and calibrated buying pattern from retailers, mills are not stepping up their purchases to store cotton as in the previous years. They are careful in their daily purchases decision, he said. "Demand for yarn is picking up. Soon, we will see demand for cotton increasing," Poppat said.

"We are witnessing a natural balance in the ecosystem and we believe this stable trend will continue for a few more months and that will be good for the exporters," said the ITF Convenor.

Popat said the difference between March and July cotton contracts on InterContinental Exchange (ICE), New York, has dropped to a meagre one US cent. "This rules out any bullish run for now. Prices may rule flat," he said.

On Tuesday, cotton on ICE was quoted at 85.13 cents a pound (₹55,750 a candy) for March delivery. May and July contracts ruled at 85.33 cents and 85.74 cents, respectively.

In the domestic market, ginned cotton in Rajkot was quoted at ₹63,000 a candy (356 kg), up ₹1,000 from a week ago. At Rajkot agricultural produce marketing committee yard, raw cotton (kapas) was quoted at ₹8,125 a quintal, almost unchanged from a week ago.

Export demand has begun to pick up with 50,000 to one lakh bales of cotton going to Bangladesh from Maharashtra, Odisha and Andhra Pradesh. Cotton exports are projected to drop to 30 lakh bales this season from 43 lakh bales last season.

Source: thehindubusinessline.com - Feb 14, 2023

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India's WPI inflation drops further to 4.73% in January 2023

India’s annual rate of inflation, based on monthly wholesale price index (WPI), declined further to 4.73 per cent (provisional) in January 2023, over January 2022, according to the ministry of commerce and industry. India's WPI inflation had reached a record high of 15.88 per cent in May 2022, compared to single digit figure of 7.39 per cent in March 2021.

The WPI inflation was 8.39 per cent in October 2022, 5.85 per cent in November, and 4.95 per cent in December 2022.

“Decline in the rate of inflation in January 2023 is primarily contributed by mineral oils, chemicals & chemical products, textiles, crude petroleum & natural gas, textiles, and food products,” the Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT), under the ministry of commerce and industry, said.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of January 2023 was 150.6 compared to previous month’s 150.4.

The index for manufactured products (weight 64.23 per cent) for January 2023 increased to 141.3 from 141.1 for the month of December 2022. The index for ‘Manufacture of Textiles’ sub-group however decreased to 137.2 from previous month’s 138.4. The index for ‘Manufacture of Wearing Apparel’ too decreased to 149.5 from previous month’s 149.9.

The index for primary articles (weight 22.62 per cent) increased to 174.0 in January from previous month’s 172.4. On the other hand, the index for fuel and power (weight 13.15 per cent) declined to 155.8 from 158.0 in December 2022.

Meanwhile, the all-India inflation rate for consumer price index (CPI) on base 2012=100 stood at 6.52 (provisional) in January 2023 compared to 5.72 (final) in December 2022 and 6.01 January 2021, according to the National Statistics Office, under the ministry of statistics and programme implementation.

Source: fibre2fashion.com - Feb 14, 2023

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Andhra Pradesh bullish on investments, aims 10% share in India's exports soon

Andhra Pradesh will soon contribute to 10% of India's annual exports once new ports projects as well as last mile connectivity are completed, Industries & Infrastructure Minister Gudivada Amarnath said here on Tuesday.

The state's exports increased by 15.31% compared to the performance in 2021-22, the recent Leads Report has said, placing it among the achievers in the coastal states, Amarnath said in an interaction with investors ahead of AP's two-day global investors summit scheduled from March 3.

The government has informed investors about the availability of 48,352 acres of land bank for industrial development, as well as ready-built infrastructure to shorten the time required to set up new facilities.

Amarnath added that in the last three and a half years, his government has approved investments worth Rs.1.9 lakhcCrore. "That would go on to create employment for around 90,000 people in the state in the future."

Finance Minister Buggana Rajendranath assured investors that the government will help early completion and commissioning of their projects. "We strongly believe reducing the time to start a business will have a significant impact on the manufacturer's profitability. The state is building numerous plug-and-play facilities which will have ready-built factory sheds with quality power and water supply and help speed up setting up of manufacturing units."

The state has embarked on a rapid growth path under the leadership of chief minister Y.S. Jagan Mohan Reddy, the state has emerged on top in the ease of doing business (EoD) for three consecutive years due to the governance reforms and investor-friendly policies, an official press release said.

Source: economictimes.com- Feb 14, 2023

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Rs 1.5 lakh crore monthly GST collection has become the new normal: CBIC chief Vivek Johri

Vivek Johri, Chairman, Central Board of Indirect Taxes and Customs (CBIC), has said that Rs 1.5 lakh crore in goods and services tax (GST) collection has become the new normal and that the Board is confident that it will cross this figure in the coming year.

The gross GST revenue collected in January 2023 was Rs 1,55,922 crore. This was for the third time, in the current financial year, GST collection has crossed Rs 1.50-lakh-crore mark. The GST collection in January 2023 is the second highest next only to the collection reported in April 2022.

In an exclusive interview with ANI, CBIC Chairman Vivek Johri said, "We can assume an average monthly GST collection of Rs 1.45 lakh crore to Rs 1.5 lakh crore." He added, "Rs 1.5 lakh crore has become the new normal and we are confident that we will cross this figure in the coming year."

Johri said that the biggest reason for increased GST collection is that there has been a significant increase in I-T return filing and compliance. Both the Centre and the state governments have worked together. The return filing percentage has increased a lot, he said, adding, "Along with that the economy has also picked up." He said the economy has become robust and the effect of Covid is over. "There has also been some increase due to inflation," he added.

Johri said, "We have definitely increased the National Calamity Contingent Duty (NCCD) on cigarettes, there has been an increase of about 16 per cent." It has been increased because cigarettes are demerit goods, he said, adding that its consumption has a bad effect on health.

CBIC chairman said there was no increase on tax on cigarettes for the last three years. In a way, the Board has done induction of duty, he said. "From this, I believe that there will be no significant difference on smuggling because if we take the proposal of total tax, then this increase is not very much," Johri added.

In the context of gold, Johri said it was believed that as the duty on gold increases, so does the smuggling. He added, "But this is wrong because we found in our analysis that smuggling happened even in the years when the duty on gold was low."

The chairman said when gold duty was increased, smuggling was less. "Gold is considered an asset in India. The retail investor invests in it considering it as an asset," Johri said.

Therefore, the amount of its import or the amount of smuggling also depends on how the rest of the assets are behaving in comparison to gold for investment, the chairman said, adding that there are many factors that affect the smuggling and import of gold.

"The capacity of our department is increasing day by day in stopping the adulteration of gold. DRI's seizures are happening. Everyday, people are being caught at the airport, too. We have made more intense use of analytics in our methodology," Johri said.

"Whatever data comes through the bill entry of importers or comes in the data system through the manifest of passengers, we use analytics on that," he added. Johri said the Board targets the passengers or cargo which they think are risky, and through this, they were able to make very good cases "and have been successful in stopping smuggling."

Source: economictimes.indiatimes.com- Feb 13, 2023

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